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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

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FRANCE: The latest polls show the Socialist-Communist coalition still holding the lead over President Pompidou's coalition, but other factors could work to the government parties' advantage.

The two major polling organizations, in their final reports before the elections tomorrow and 11 March, have shown the governing coalition at 37/36 percent, the Centrists at 15/14, and the leftist alliance at 45/47. These results are consistent with polling trends since December. The governing coalition rallied briefly last month after Pompidou forcefully reiterated the "us-or-chaos" theme on television, but its failure to build upon Pompidou's intervention was another illustration of the coalition's lethargic campaign.

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Gerrymandering, which gives over-representation to rural districts that normally support the governing coalition, could still save the day for Pompidou's government. Polls and votes in the 1967 elections--far more typical than in 1968--were divided in percentages similar to those of the latest polls. In that year, the governing coalition won a bare majority of the 485 seats then in the Assembly, the center about 40 seats, and the left 194. An official assessment shows, however, that this time the Socialists are gaining in some of the districts the Pompidou coalition has counted on for support.

The latest polls show the Socialists leading their Communist allies by 1 to 4 percentage points. The ability of the Socialists to outshow the Communists in the first round will be the key to the left's chances among the uncommitted third of the

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electorate in the second round. Those voters probably will split seven-to-one for a candidate from the governing coalition facing a Communist, but almost evenly if the opponent is a Socialist. Because one of the centrist factions has already indicated interest in joining the government after the election, the governing coalition is likely to attempt to strike bargains with this faction to ensure joint backing of the candidate most likely to defeat a Socialist. [REDACTED]

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INTERNATIONAL MONETARY DEVELOPMENTS: The dollar continued to weaken yesterday in unofficial trading even though most major foreign exchanges were closed.

There was large-scale dollar selling on the French exchange, the only major official market open yesterday, and the dollar fell below its floor. The central bank withdrew from trading after it had made extensive purchases. The speculators' movement to the franc occurred despite extensive French capital controls. The volume of support for the dollar by the French central bank, reportedly over \$500 million, indicates that capital controls have limited effectiveness when stronger currencies, such as the mark, are not bearing the brunt of speculative activity.

Unofficial interbank activity in most European markets was substantial. On Friday, most major currencies appreciated about 2 percent against the dollar by the close of trading, strengthening on reports that the EC finance ministers will meet on Sunday. Eurodollar interest rates also increased sharply as speculators borrowed dollars to buy other currencies.

Japan's foreign exchange market remained closed today and Tokyo has decided to cancel all future Saturday sessions. According to Finance Minister Aichi, the exchange market will not reopen until the situation in Western Europe settles down, but when trading is resumed, the yen float will continue. In interbank trading yesterday, the yen appreciated substantially.

Official reports of the Brandt-Heath talks--a second meeting was held yesterday--have not yet been made public. In his last public interview on possible repegging of the pound in connection with a joint EC float, Prime Minister Heath implied that

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the countries whose currencies are stronger would have to declare their readiness to support the pound with their own reserves. West Germany reportedly is reluctant to agree to the UK position without assurance of progress toward coordinating domestic budget and credit policies.

The EC Finance Ministers will meet on Sunday in an effort to develop a common position. In the event that the ministers decide on a float, the modalities probably will be kept secret and the float itself is likely to be a "dirty" one. Existing capital controls and two-tier systems probably also will be retained.

[REDACTED]

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USSR - WESTERN EUROPE: The USSR may supply uranium enrichment services to several West European states.

A West German power company will send a delegation to Moscow this month to explore prospects for Soviet enrichment of sufficient uranium to permit one loading of the core of the firm's planned 1,200-megawatt nuclear reactor. The West Germans have informed the US, which presently supplies all of West Germany's enriched fuel, that the matter is merely a test case. No West German Government representative will go along, but the director-general of the EURATOM supply agency is likely to join the talks in Moscow. This would be the first occasion in which the Soviets have dealt directly with an EC official.

The Soviets in 1971 contracted to provide uranium enrichment services for a French reactor and in recent years have discussed the subject with at least Sweden and Japan. The USSR is estimated to have an annual capacity for production of enriched uranium in excess of its current weapon and non-weapon requirements.

The recent increase in US charges for enrichment services and changes in contract procedures reportedly have disturbed the West Europeans. As a result, they may develop a greater inclination to deal with the Soviets. Given their presumed reluctance to become dependent on the USSR, however, they also may develop more interest in an EC enrichment facility. The EC Council is to meet on energy questions on 22 May and will consider the EC Commission's proposal to undertake an enrichment project. [REDACTED]

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GUYANA-USSR: Prime Minister Forbes Burnham of Guyana in a sudden about-face has agreed to allow the Soviets to establish a small embassy in Georgetown.

According to the Guyanese Foreign Minister, the USSR will be authorized to send a resident chargé after the national elections, which probably will be held this June. The decision was made only after Soviet Ambassador Sergei Mikhailov, who is accredited to Guyana on a non-resident basis, assured Burnham that the USSR would discontinue direct dealings with opposition leader Cheddi Jagan and his Moscow-oriented party and would channel future scholarships, training, and other assistance through the Guyanese Government instead. The Soviets have often played host to Jagan and his followers and have provided some financial payment as well.

Burnham's past reluctance to accept a Soviet presence in Guyana was apparently overcome by the prospect of depriving his Communist rival, Cheddi Jagan, of foreign financial support in the coming elections. Burnham may also see a resident Soviet mission as a counterpoise to the apparently growing influence of the Peoples Republic of China. [REDACTED]

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USSR-JAPAN: A \$300 million loan from Japan for development of the southern Yakutsk coal basin will be discussed later this month when a delegation of Soviet trade officials visits Japan.

In exploratory talks on the project held last year, the USSR proposed delivering large quantities of non-coking coal during 1981-87 and thereafter shipping coking coal for Japanese steel mills. Japan, however, has no need for non-coking coal, and the USSR now has modified its proposal to exclude this commodity and to ship coking coal at an earlier date, possibly by 1980. The Soviet concession may have increased Japanese interest in the deal although they still have shown no urgency in the matter.

[REDACTED]

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[REDACTED] Japan currently imports coking coal at an annual rate of about 50 million tons, of which 17 million tons come from the US and 2 to 3 million tons from the Kuznets Basin in the USSR. By 1980 Japanese import requirements will probably exceed 65 million tons per year. [REDACTED]

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IRAQ: Baghdad has concluded an agreement with the Iraq Petroleum Company (IPC) that is favorable to Iraq.

The accord, reached after several months of hard bargaining, will resolve the long-standing dispute which culminated last June with Baghdad's nationalization of the company's Kirkuk oilfields and related facilities. Under the agreement, IPC will receive free oil worth about \$300 million as compensation for all claims against the government, including those for the North Rumaila field, which was nationalized in 1961. The compensation is equivalent to a little more than two years of company earnings from production from the Kirkuk fields. IPC will pay Iraq about \$350 million in back taxes to cover the higher taxes obtained by the Organization of Petroleum Exporting Countries in the mid-1960s, but which IPC had not paid to Iraq. The company also agreed to make its "best endeavor" to more than double production from its southern Iraqi oilfields by 1976.

Iraqi oil production probably will increase substantially as a result of the agreement. World demand for oil currently is strong and, without the threat of legal sanction, Iraq should be able to sell the 1.3 million barrels per day that is the present combined export capacity of the Kirkuk and North Rumaila oilfields. Over the next several years, rising prices and increased production will provide Baghdad with substantial increases in revenue. Western oil companies--including French and Dutch companies that are partners in the IPC group--probably will continue to be the major recipients of Iraqi oil.

The companies are concerned about the effect the Iraqi accord might have on their participation agreements with other Persian Gulf countries and on the agreement in principle reached by Western oil

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companies with the Shah of Iran earlier this week. The Iraq compensation settlement is somewhat more favorable to the government than those concluded with the other Persian Gulf countries, but company representatives probably will try to obfuscate the details enough to prevent a renegotiation of those agreements. The Shah, however, may stiffen his demands in negotiations currently under way in London.

Negotiations on Baghdad's participation in IPC operations in the southern oil fields--through IPC's affiliate, the Basrah Petroleum Company--are scheduled to take place in October. The government reportedly had agreed in principle to the participation accord reached by other Arab Persian Gulf countries but balked at some of its provisions. If an agreement is reached, it probably will be retroactive to 1 January 1973, the date other Gulf agreements were implemented.

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HONDURAS: As the end of the planting season approaches, peasants are becoming anxious that the government's land reform program get under way and are threatening widespread "invasions" if they see no progress by the end of March.

Former President Cruz' disregard for the plight of the rural poor was part of the rationale for his overthrow last December, and General Lopez, who led the coup, stated that agrarian reform would receive top priority in his planning. A decree in late December established an interim plan for forced rental of unused land to campesinos, with the Agrarian Institute acting as broker. Meanwhile, the government is drafting a long-range program for permanent settlement of rural families.

The interim rental program has encountered landowner intransigence, and many peasants fear that the planting season will end before they have land to plant. Two peasant organizations--representing perhaps 40,000 to 50,000 families--have agreed to coordinate land occupations if the government does not act soon.

Part of the delay has been due to the illness of General Lopez and the resulting slowdown of governmental activity. Now that the General is partially recovered and back at his desk, the pace of land rentals will probably increase. Nevertheless, opposition to the program is bound to continue. The person who would most like to see the Lopez regime confronted by peasant violence is Lopez' former eminence gris, Ricardo Zuniga, whose influence was considerably reduced by the December coup. Zuniga has been feeding the fears of landowners by distorting the intent of the land reform program and discrediting as "Communists" those involved in implementing it. Conditions in the rural sector are potentially explosive, and considerable violence could result if Lopez lapses into his former habit of procrastination.

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ARGENTINA: In meetings on Wednesday and Thursday, armed forces leaders apparently decided against any move to proscribe the Peronists or call off the 11 March election. A four-point communiqué issued by the junta reaffirmed the military's commitment to the election, but expressed concern over the support some political groups are giving to terrorists. The supporters of elections are still the majority within the military, although those senior officers favoring some form of proscription will continue to press their view. The tone of the communiqué, as well as statements by government officials, suggests that serious terrorist activity could still be used to justify a move to block the Peronists. [REDACTED]

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NICARAGUA: The constituent assembly has ousted Conservative Party councilman Fernando Aguero from his seat on the three-man governing junta and installed his alternate, Edmundo Paguaga. An anti-Aguero faction of the Conservative Party gave Aguero a vote of no confidence and asked the assembly to remove him. This maneuver was undoubtedly accomplished with the acquiescence--and possibly the help--of General Somoza who controls the majority Liberal Party. The shift keeps the government within a constitutional framework and gives General Somoza a more tractable opposition within the government. It also, however, confirms the cleavage in Conservative Party ranks. [REDACTED]

(continued)

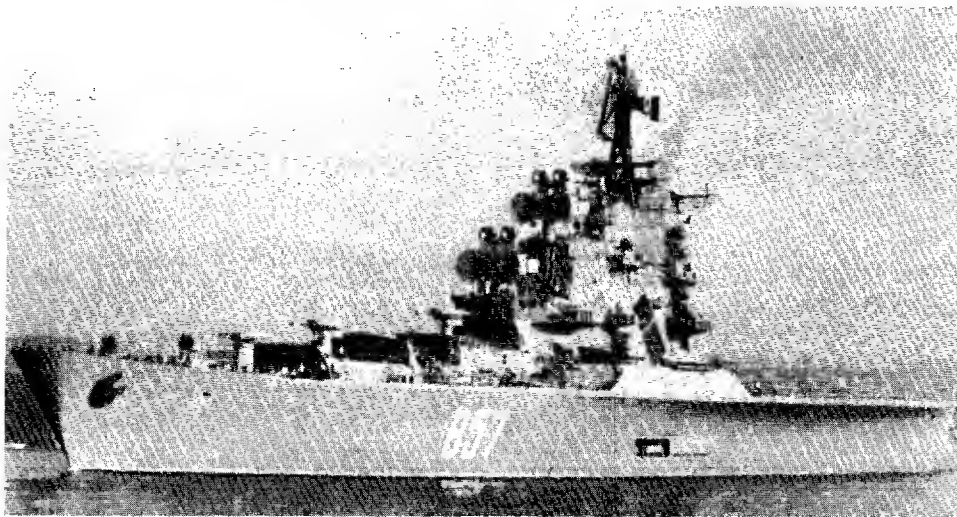
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### Soviet Helicopter Carrier, Moskva



Length . . . . .	620 feet
Beam . . . . .	112 feet
Draft . . . . .	27 feet
Displacement . .	20,000 tons
Armament . . .	2 twin SA-N-3 launchers 2 twin 57-mm mounts 1 twin SUW-N-1 ASW rocket launcher 2 12-barrel MBU 2500A rocket launchers
Helicopters . .	18-20 KA-20/25

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USSR: The helicopter carrier Moskva, accompanied by a guided-missile destroyer, transited the Bosphorus and entered the Mediterranean on 2 March. The Moskva was last in the Mediterranean in April 1970. A total of seven Soviet combatants have made the same passage in the last three days, suggesting that a naval exercise may be imminent. The Soviets now have a total of 14 major surface combatants with their Mediterranean Squadron. [REDACTED]

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JAPAN: Japanese production and export of color television sets reached record levels in 1972, but sales to the US declined. Total factory shipments rose 11 percent over the 1971 level, domestic sales rose almost 9 percent, and exports rose over 17 percent. Sales volume to the US was off by about 10 percent because of yen revaluation and the Japanese producers' response to growing pressure by US businessmen for restraints on the importation of Japanese electronic products. As a result, the portion of Japan's color television exports going to the US fell from 79 percent in 1971 to 60 percent in 1972. The shares going to the UK and Canada increased markedly. [REDACTED]

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